

103 KAR 31:080. Coupons or redemption certificates.

RELATES TO: KRS 139.010, 139.200

STATUTORY AUTHORITY: KRS 131.130

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of Kentucky tax laws. This administrative regulation interprets the sales and use tax law as it applies to coupons and redemption certificates.

Section 1. Definitions. (1) "Cash discounts" means the exchange value of coupons or redemption certificates issued by the retailer, not a wholesaler or other third party, and are taken by the retailer from customers.

(2) "Coupon" and "redemption certificate" means a certificate vesting in a customer, upon the purchase of certain tangible personal property, digital property, or services included in KRS 139.200, the right to a reduction in the sales price of the property or service.

Section 2. A retailer shall include within their gross receipts the exchange value of coupons or redemption certificates taken from their customers if the retailer redeems such certificates from their wholesaler or other third party. The exchange value shall be included in gross receipts under either of the following methods:

(1) The retailer may include the exchange value in their gross receipts for the period during which the coupons or redemption certificates were taken from their customers; or

(2) The retailer may include the exchange value in their gross receipts for the period during which the coupons or redemption certificates are redeemed from their wholesaler or other third party.

(3) In either event, the retailer shall collect from customers the tax applicable to the coupon or redemption certificate exchange value.

Section 3. Cash discounts shall not be included in the retailer's gross receipts. The retailer shall not collect tax from customers on the exchange value of such coupons or redemption certificates.

Section 4. Coupons or redemption certificates that represent combinations of those described in Sections 2 and 3 of this administrative regulation shall be taxable on that portion of the coupon or redemption certificate value that may be redeemed from the retailer's wholesaler or other third party. The cash discount portion of such coupons or redemption certificates shall not be subject to tax. (SU-68; 1 Ky.R. 470; eff. 3-12-1975; 17 Ky.R. 1137; eff. 11-21-1990; TAm eff. 6-9-2009; TAm eff. 6-22-2016; Crt eff. 1-28-2020; 46 Ky.R. 1597, 2226; eff. 5-5-2020.)